matters. On November 16, 1917, representatives of all parties in the unoccupied territory, except the Bolsheviks, met at Walk (in Livonia) and formed a Latvian National Council. Complete independence was implicit, though not explicit, in the declaration of the Council that Latvia was an autonomous unit whose status, and whose domestic and foreign policy, could only be decided by a Latvian Constituent Assembly. Meanwhile, in December, M. Karl Ulmanis and the other Lettish leaders, who had been working under cover in the occupied territory, formed a secret democratic *bloc* in Riga, consisting of all except the Germanophil and Bolshevik groups, which made a declaration similar to that of the National Council at Walk.

The Bolshevik reply to such action was to abolish the local government bodies set up by the Provisional Government, to issue new electoral decrees which excluded the bulk of the peasantry—as being counter-revolutionary in their outlook—from the franchise, to suppress the National Council, and to establish Red Guards throughout the unoccupied districts. But their military situation was becoming desperate; the Germans were advancing, and negotiations for Brest-Litovsk were in process. The Latvian nationalists took courage; on January 5, 1918, the Lettish leader, M. Janis Goldmanis, reaffirmed before the All-Russian Constituent Assembly, convened in Petrograd, the resolutions of the National Council at Walk. The Council itself met again on January 15 in Petrograd to declare Courland, South Livonia, and Latgale an independent democratic Republic, and to create administrative machinery and an embryo Ministry of Foreign Affairs. Almost immediately France granted *de facto* recognition to the new Latvian Government.

[727] By the end of February,[1] however, the whole of Livonia was under German occupation, and the Brest-Litovsk Treaty recognized a German protectorate in Courland and a temporary German 'police occupation' in Livonia. The nationalist movement was driven to ground until after the Armistice, although, in July 1918, the National Council met to proclaim Latvia's independence under an international protectorate, and to send MM. Čakste and Meierovics and other representatives abroad to secure recognition and support from the Allied Powers.

Lithuania. Since practically the whole of Lithuania was in German occupation from the autumn of 1915 onwards, the movement for independence developed there on somewhat different lines from the Latvian and Estonian movements; it was less affected by the political and military history and military fortunes of Russia than by those of Germany. Tolerance of its existence and concessions to its aspirations had to be won, not so much from the Provisional Government or the Bolsheviks, as from the German military author-

[1] [1918--Analyst]

ities. At first it must have seemed possible to the Lithuanian deputies in the Duma, who, early in 1917, organized a Lithuanian National Council in Petrograd to demand political autonomy, that Russia might yet prove strong enough to protect, and generous enough to grant autonomy to, her border provinces; for, although after the fall of the Imperial Government they notified their compatriots in both German and Russian Lithuania, without permission of the Provisional Government, of the existence of the Lithuanian National Council, and appointed a provisional administrative committee to deal with Lithuanian affairs in Russia, yet, at a general conference of Lithuanians in Petrograd some months later, while extremists were demanding complete independence and the convocation of a Constituent Assembly, the more moderate elements were still in favour of a *rapprochement* with the Provisional Government. The latter, however, by ignoring their advances and refusing to make any promises such as had been made to Finland, Poland, or Estonia, lost the last opportunity of keeping the Lithuanian nationalist movement within their control. Finally, when the Bolshevik Government suppressed the Lithuanian National Council, a conference, attended by all but the extreme Left parties, was organized at Voronezh to take its place; this defined the frontiers and outlined the constitutional programme of a new independent Lithuanian Republic, demanded the immediate evacuation of the German armies and free access to the Baltic Sea, and decided to bring its claim to the attention of the Allied Powers.

2. The German Occupation

After suffering the ravages of the retreating Russian army, the Baltic Provinces were subjected, for a period varying from three years in Lithuania and Courland to nearly a year in Estonia and Livonia, to all the miseries of a German military occupation, with its accompaniments of rigorous requisitioning and political terrorization. In spite of its devastating economic effects, however, the German occupation probably saved the Provinces from irretrievable submergence in the Soviet Union, and, as things turned out, by keeping the Bolsheviks out, made independence ultimately possible when the Germans in their turn should have suffered military defeat by the Allies.

Estonia and Latvia. The failure, during this period, of the efforts of the German military authorities, supported by the German-Baltic Barons, to threaten or cajole the peoples of any of the three Provinces into adopting some form of federation with Germany, is an indication that the Baltic races felt that they had more to fear from German than from Russian domination. The German plans

727 included the creation of a Duchy of Courland and a Duchy of Estonia
648 and Livonia in personal union with the Crown of Prussia, and the organization of extensive German colonization in those Provinces. To this end, in each Province the old *Landtag* and *Landesrat*, consisting of representatives of the Baltic Barons, were hastily revived. On March 8, 1918, the *Landesrat* of Courland invited the Kaiser to accept the Grand-ducal crown of Courland; the invitation was graciously accepted. An unsuccessful attempt was made to persuade the district Elders of Estonia and Livonia, summoned to a conference at Riga on April 10 for the purpose, to consent to union with the Prussian Crown; the fear of German colonization was too strong. M. Konstantin Paets, the chief organizer of resistance to such a scheme, was imprisoned in a Polish concentration camp. In default of popular consent, Baron Dellingshausen, the leader of the Baltic Barons in Estonia, sent a request for union to the Kaiser, who con-
[423] veyed his 'consent' to it on April 21. In July 1918 agrarian regulations were issued providing for a Colonization Union in Courland, at whose disposal the Baltic Barons placed a third of their landed property for the purpose of fresh German colonization: all private land agreements for the last thirty years were to be annulled, without any provision being made for expropriated peasants.

728 *Lithuania.* In Lithuania, hoping to make capital out of the Russian
649 Provisional Government's unsympathetic attitude towards the
186 Lithuanian nationalists, and with a view to creating a body which
[668] would lend itself to the furtherance of annexation schemes, the German authorities rashly permitted a nationalist movement to take shape in the autumn of 1917. Immediately after the Russian evacuation of Vilna, a conference of over 200 leaders, selected by an organizing committee, met there and passed a resolution that Lithuania should become an independent democratic State within her ethnographic frontiers, and that a Constituent Assembly should be convened. The conference appointed, for the conduct of affairs in the interim period, a National Council or *Taryba*, consisting of twenty-six members, including six representatives of minorities, with M. Antanas Smetona as its president. Under German pressure, the *Taryba* adopted further resolutions on December 11, which, while claiming the reconstitution of an independent State with Vilna as its capital, omitted all mention of a Constituent Assembly, and even asked for German aid during the period of reconstruction in the form of a 'perpetual and solid alliance' with the German Empire. In a rescript of March 23, 1918, the Kaiser granted *de jure* recognition of Lithuanian independence on the basis of the December resolutions; but by this time the *Taryba*, realizing the character of the peace negotiations with Russia at Brest-Litovsk, to which they had been refused per,

[142] under M. Otto Strandman. A provisional Constitution adopted on June 4 was replaced, a year later, by the definitive Constitution of June 15, 1920.

[146] In Latvia, where the Provisional Government was even more hampered than its counterpart in Estonia by the struggle with the German and Bolshevik armies,[1] elections to the Constituent Assembly were not held until April 1920. M. Čakste was elected President of the Assembly, which consisted of peasants, Socialists, and members of the other bourgeois parties (including the minorities), in roughly [145] equal proportions. After the adoption of a provisional Constitution on June 1, the Ulmanis Cabinet resigned and was reconstituted with the support of all except the Socialists; but M. Ulmanis gradually lost the support of most of the Left parties, and was eventually succeeded by M. Meierovics, who formed a coalition Government including the Agrarians, Democrats, and some of the Social-Democrats. The definitive Constitution was adopted on February 15, 1922. The first constitutional Parliament, or *Saeima*, met on November 7, 1922, and elected Čakste as President of the State.[2]

In Lithuania elections were held in April 1920 for the Constituent Assembly, which met at Kaunas on May 15, ratified the proclamation of independence, and proceeded to the elaboration of a provisional constitution and the appointment of a new government—the *Taryba* and the Cabinet having resigned. M. Stulginskis, the President of the Constituent Assembly, was chosen to act as temporary President of the Republic, and Dr. Grinius formed a Cabinet on June 8. The final Constitution was not promulgated until August 1, 1922.

III. INTERNAL CONSOLIDATION IN THE SUCCESSION STATES

178 To appreciate the complexity and wide range of the problems ● 727 demanding the immediate attention of the new Governments in the early days of independence, it is necessary to picture the devastating effects of the six years of military campaigns, occupations, and invasions through which the Baltic Provinces had just passed, the complete collapse of economic life, the break-down of administrative machinery, and the wastage of material and of man-power which they brought in their train. Everything had to be built up from the very beginning; not only new constitutions, but new law-courts, new schools, and new central and local government bodies had to be set up; and every activity was hampered by the relative inexperience of leaders who up till now had always been in opposition, and by the virtual disappearance of the former Russian and German official classes.

[1] See above, p. 25.

[2] Čakste was re-elected President in 1925, and held office until his death in 1927.

433 These differences are due largely to the effects of the Russian domination, which has profoundly influenced the productive structure of these States. Under the Russian Empire, it is true, the Provinces which are now Estonia, Latvia, and Lithuania were all primarily agricultural, and depended also to a great extent on the large reserves of timber which they each possessed. But it is important to emphasize that, whereas Lithuania depended entirely on timber and agriculture, this was not the case with Estonia or Latvia.
[439] For, until the Russian Revolution, the economic importance of Riga, Reval, and Narva consisted in the large quantities of industrial products there manufactured from imported raw materials and supplied to the Russian Empire; and, though to a lesser extent, in their position as centres of the entrepôt trade between Russia and Western Europe. After 1918 their importance in this sense disappeared, and with it the means of paying for imports of raw materials—means formerly supplied out of the resources of a great Empire—which were needed if their industries were to continue to operate on anything like the old scale.

727 Thus the problems which the three States had to face on the
433 establishment of independence were serious. Estonia and Latvia, though equipped both by their natural position and by their extensive industrial apparatus to become important manufacturing centres, lacked both the capital and the markets necessary to bring such an aim within the realm of practical politics. Moreover, in all three countries the actual devastation caused by the War was very considerable, and the demands of reconstruction were great. In addition, there were numerous other difficulties which hindered the reorganization of the economic system. Of these may be mentioned the question of agrarian reform and the splitting up of the large estates, such as those of the Baltic Barons. A further serious problem was that of communications, for the railways, built in the time of the Russian Empire, bore little relation to the needs of the three national States. In this Lithuania was perhaps the most severely affected; and the lack of a port under her unrestricted sovereignty was a further handicap. Lithuania, again, was somewhat impeded in her work of economic reconstruction by the persistence of the Vilna dispute with Poland, her most important neighbour. Thus, though not faced with the peculiar industrial questions confronting Estonia and Latvia, Lithuania had special problems of her own which made her task fully as difficult.

727 In the event, as will be seen, these problems were met by drastic
433 solutions. Estonia and Latvia, at any rate until 1931, abandoned
234 the hope of restoring their manufacturing industries to their pre-War position, and both countries were consequently forced to develop

other forms of production. Before the War Latvia, and to a smaller extent Estonia also, had supplied St. Petersburg with butter and other dairy produce. This trade, too, was lost after the Revolution, but the fact that it existed independently of foreign supplies suggested that dairy farming might be expanded so as to assume some of the importance formerly held in their economic systems by manufacturing industry. In this the development of the co-operative principle was of great assistance, and, during the period which ended in 1931, the two countries were able to make both ends meet by exploiting their forests and developing foreign markets for their butter and bacon, while their industries were still able to supply some of their own requirements of manufactured goods. Lithuania, though lacking manufacturing industries such as those possessed by the other two countries, followed a similar policy, and her success in finding foreign markets for her agricultural produce was the more remarkable in that the commercial organization of the country immediately after the War could not be compared with that of Estonia and Latvia. To sum up, then, the period 1918–31 described in the following section was one of reconstruction and of fundamental adjustment to the new conditions both inside and outside the Baltic. On the whole this process was highly successful, and it was no fault of the Baltic States that the conditions changed with the crisis of 1929–32.

Note: Except where otherwise stated, figures given in the tables are taken from the various statistical works published by the League of Nations, such as the Statistical Annuals, the annual memoranda on Foreign Trade and Balances of Payments, and the memoranda on Public Finance. Figures have occasionally been given in Swiss francs for comparative purposes. This is the old Swiss franc, the parity of which was 25·2215 to the £ gold, not the Swiss franc current since the devaluation of September 1936.

PART I: GENERAL FEATURES OF THE POST-WAR ECONOMY OF THE BALTIC STATES, 1919–30

I. THE PRODUCTIVE SYSTEM, 1919–30

BEFORE the growth of the productive system in this period is described, reference must be made to two developments: agrarian reform and the expansion of the co-operative system.

1. SPECIAL FEATURES

(i) *Agrarian Reform.*[1]

Although the growth of peasant ownership had proceeded rather more quickly in the Baltic Provinces than in the rest of Russia, a very large proportion of the land was still owned by a few large

[1] For the political effects of this see above, pp. 29–30.

248 this period were hemp and linseed, small quantities of which were exported.

TABLE 18. *Flax Production*

	Area under crop annual average ('000 ha.)			*Production annual average ('000 quintals)*			*Yield per ha. annual average (quintals per ha.)*		
	1909–13	*1921–5*	*1926–30*	*1909–13*	*1921–5*	*1926–30*	*1909–13*	*1921–5*	*1926–30*
Flax									
Estonia .	42	30	34	169	101	95	4·0	3·4	2·8
Latvia* .	70	53†	61	302	213†	196	4·3	4·0†	3·3
Lithuania* .	55	61	86	242	312	339	4·4	5·1	4·0

* Latvia: flax and hemp 1909–13; Lithuania: flax and hemp throughout. † 1922–5.

3. DAIRY FARMING AND STOCK-BREEDING

231 234 The comparative position of these countries can be seen from the following table:

TABLE 19. *Statistics of Live Stock*

(i) *Total number of live stock*
(In 000's)

	*Estonia**		*Latvia**		*Lithuania*	
	1913–14	*1930*	*1913*	*1930*	*1913*	*1930*
Cattle . .	478	627†	912	1,026	918	1,170
Pigs . . .	275	290	557	523	1,358	1,136
Horses . .	165	204	320	359	451	559
Sheep. . .	518	467	996	873	1,153	1,097‡

(ii) *Number of live stock slaughtered*
(In 000's)

	Estonia		*Latvia*		*Lithuania*	
	1923	*1930*	*1923*	*1930*	*1923*	*1930*
Cattle . .	75	63	118	102	not available	70
Calves . .	78	107	188	319		106
Sheep. . .	62	63	213	171		67
Pigs . . .	71	97	118	199		64

Note.—These figures relate to inspected slaughter-houses only.

* Estonia and Latvia: 1913 figures relate to a somewhat smaller area than that of the present States.

† Draught oxen only. ‡ Including goats.

231 727 The increase between 1913 and 1930 may be smaller than the great development of dairy farming after the War might lead one to suppose, but the number of live stock was very considerably reduced by the War itself; and the dislocation of the years immediately following 1918 led also to the result that many of the beasts were extremely poor. During the latter part of the period the Baltic

pp. 112

States were only just beginning to recover from the effect of these circumstances. 231 727

The Baltic States grow nearly all the fodder required for their cattle themselves. This consists largely of hay and mixed crops (meslin); as was seen, a large part of the total area of each country is pasture land. Roots were not often fed to cattle during the period. Great attention was paid to breeding by all three States, a subject which had not received much notice during the Russian period. In Latvia, for example, there were by 1928 over 500 associations formed for this purpose, and several hundred stud stations, most of which were assisted financially by Government departments, while imports of cattle for breeding purposes were a regular feature in the trade balance of all three countries. 232 246

There are comparatively few establishments exclusively devoted to dairy farming except for certain farms run directly by the co-operatives and the State. For the most part, the cattle are owned by individual peasants who deliver the milk to the co-operative dairies or bring their cattle to be milked. From this stage onwards dairy farming was developed during the period into a highly organized process, controlled largely, as was seen, by the co-operative system. This was not entirely a new thing in Estonia and Latvia, which before the War had supplied the Russian market, a substitute being found during this period in Great Britain. In Lithuania, however, it was an almost complete innovation. 234 474

The progress of dairy farming is illustrated by the following table:

TABLE 20. *Butter and Milk Production*

	Butter Production in metric tons (000's omitted) (Creamery or factory butter only)			*Milk* Production in hectolitres (000's omitted)		
	Estonia	*Latvia*	*Lithuania**	*Estonia*	*Latvia*	*Lithuania‡*
1925 . . .	7·2	7·9	0·3	4,823	†	92
1926 . . .	9·7	11·2	1·0	5,880	†	251
1927 . . .	10·9	12·0	1·3	6,118	†	312
1928 . . .	12·3	14·3	1·6	6,387	†	397
1929 . . .	13·7	17·0	3·1	6,334	12,650	725
1930 . . .	15·5	20·8	6·4	7,374	13,143	1,512

* Co-operative creameries only. † Figures not available.
‡ Milk delivered to dairies or factories.

A large proportion of the total production of butter is exported. The exact figure is difficult to ascertain, since complete figures for production are not always available. In Lithuania, during 1930, 6,000 metric tons of the butter manufactured by the dairies included in the above table, viz. 6,400 metric tons, were exported, the total export of 234 439

438 mentioned, there had grown up an important series of manufacturing industries before the War. Some depended on local raw materials such as timber, but, in general, the pre-War industry of these territories took the form of the conversion of imported raw materials into finished articles, which were sold in Russia. The extent of these industries may be judged from the fact that in 1910 more persons were employed in the textile, chemical, and metal industries of Latvia than the entire number of those employed in all the industries [396] of the country in 1926. Moreover, Reval (Tallinn) was one of the most important shipbuilding bases of the Russian Empire, while at Krainholm there existed one of the largest cotton mills in the world.[1]

439 The War, and the establishment of independent States, changed ● 727 the whole position. The Russian market, the basis of the manu- 433 facturing industry, was lost. The indispensable raw materials could no longer be imported on the pre-War scale; and, as has been seen, the mineral resources of Estonia (except for oil-shale) and Latvia are negligible from the commercial point of view. Moreover, the War had brought devastation which in many cases it would have been impossibly expensive to repair even if markets had existed; in Latvia, which was perhaps most severely affected, the retreating Russians had carried off most of the machinery which could be moved, and many of the factories were no more than empty buildings. Finally, the demands of economic nationalism required that Lithuania should make some attempt to develop manufacturing industries of her own where none had existed before.

433 It is impossible to trace here the steps by which some kind of order was produced from the chaos of the years immediately after the War. In general, the policy of Estonia and Latvia was to develop only those industries which were essential to local requirements, or which could exist without the Russian market. Within this limited scope, a considerable measure of success was achieved during the period. [407] The State was occasionally able to make good the loss or destruction of machinery through foreign relief credits received immediately after the War, and when some degree of economic and political stability had been achieved in the Baltic, foreign capital—chiefly German and British—was made available to industry through the banking system. It was even possible to obtain a small footing in the export market, for the standard of living in Estonia and Latvia was comparatively low, and costs were often on a good competitive

283 [1] The early development of the cotton industry in Estonia was largely due to a British-trained German, Julius Knoop (1811–94), who eventually came to dominate the entire textile industry of Russia. For further details, see L. H. Jenks, *The Migration of British Capital*, New York, 1927, pp. 183–4. A fuller account will be found in *Krainholm Manufaktur 1857–1932*, privately printed by the Gesellschaft der Krainholm Manufaktur für Baumwollfabrikate, 1933.

industries. These latter had previously worked very largely for Russian consumers, and it was only towards the end of the period that it became possible to find substitutes abroad for the loss of this market.

Latvia's metallurgical industry, which also had worked almost entirely for the Russian market, was perhaps more hardly hit than any other single industry in the Baltic States; for not only was this market no longer available, but in many cases plant had been destroyed or removed. To some extent it was possible to readapt the plant that remained for the manufacture of goods such as agricultural machinery (of which some was even exported to the U.S.S.R. under the Treaty of 1927[1]); but, in branches such as shipbuilding and the more elaborate types of engineering, it was obviously impossible, in the circumstances, to re-establish production on the pre-War basis. In this case Latvia, like Estonia, was compelled to face the fact that, for the most part, markets and means of purchasing raw materials had disappeared.

Similar difficulties were felt by the textile industry, which before the War had reached a high degree of efficiency; but, on the whole, adaptation to the new circumstances was more successful during the period. The industry, which is both absolutely and relatively smaller than that of Estonia, comprised cotton-spinning and weaving mills, some wool-weaving mills, and flax-spinning plant. Yet, though the capacity of the industry was probably large enough to supply the country's entire requirements, the high level of costs did not permit of this, and considerable imports of semi-manufactured and finished goods were required. Of the other more important industries, except for those connected with foodstuffs, may be mentioned the rubber industry, consisting largely of the manufacture of goloshes. Many of these products were exported to neighbouring countries. The cork and linoleum industry also attained some importance during the period.

Estonia. Much of what has been said of Latvia applies also to Estonia. Here the textile industry continued to be the most important branch. The difficulties already mentioned were met to some extent by the renovation and conversion of plant for processes, such as bleaching, dyeing, and printing, which had not been undertaken before the War. By these means it was possible, during the period, to obtain a footing in foreign markets, particularly in the Baltic countries, but also in more distant markets such as the Balkan States. Yet the total of persons employed in the two cotton mills in Estonia during 1925 was only 5,000, whereas before the War the Krainholm mill alone had employed 13,000. Much success was

[1] See below, p. 127.

obtained in the flax-spinning and weaving industries, which were 288
able to export during this period.

The timber industries, which include sawmills and veneer and 313
boxwood factories, are very similar to those of Latvia, and similar conditions apply; but during these years Estonia began to specialize in the production of plywood. In this, British capital is interested through Venesta Ltd. There is also an important match industry, and a comparatively large cellulose factory at Tallinn. The paper and pulp industry suffered considerably from the War, but had begun to recover by 1929. The metal and machinery industries of Tallinn 325
suffered in the same way as those of Riga, though the depredation 727
and devastation caused by the War was perhaps less severe. But, 396
whereas before the War nearly 20,000 men were employed in the principal shipyards and engineering works of that centre, the difficulty of paying for raw materials and the loss of the Russian market brought plant almost to a standstill. Several factories were eventually adapted to produce goods for the home market, but during the period the industry as a whole was rarely working to more than about 20 per cent. of capacity.

Apart from the foodstuffs industry the only other industry of 382
importance in Estonia was that connected with shale. It has been [/35]
estimated that workable strata cover an area of about 2,400 square km., and that reserves amount to over 5,000 million tons. These reserves were by no means fully exploited during the period, but a beginning was made in using the cheap form of fuel provided by oil-shale for a number of industries and public utilities, such as gas-works and the railways. Moreover, the ashes which remain from oil-shale [339]
after carbonization can be used, when ground, as a binding material for building purposes; and, as a result, the quality of Estonian cement acquired a wide reputation. It is also possible to extract a liquid oil from oil-shale, and a plant, which began to operate in 1925, was set up for this purpose. The oil so obtained is refined into a number of different types of spirit such as benzine, gasoline, and lubricating oil; and its commercial use became possible during the period. Fin-[439]
ally, it may be mentioned that the British firm, New Consolidated Goldfields Ltd., has been interested in the production of oil from shale for some years.

Lithuania. Before the War Lithuania had no manufacturing in- 438
dustries comparable with those of Estonia and Latvia. Most were connected with the preparation of foodstuffs, tanning, or the manufacture of bricks, glass, and pottery; there was a timber industry, but this was on a much smaller scale than that of the two other countries. There were also two comparatively large ironworks (Schmidt Bros. and Tillmann Bros.) manufacturing nails, locks,

chains, and other similar articles. Such industrial plant as there was suffered severely from the War; buildings were destroyed, machinery was carried off, and any liquid capital confiscated.

During the period 1918–31 there was no fundamental change in the industrial structure of Lithuania proper. The period was largely one of reconstruction; and it was possible in many cases to renew plant lost in the War by the use of foreign credits. Production was to some extent assisted by tariffs, but little, if any, attempt was made to obtain a place in foreign markets. The industrial capacity of the country as a whole was, however, substantially increased by the addition to Lithuania proper of the Memel territory, for Memel possesses considerable industries such as sawmills, &c.;[1] and by 1928 it was estimated[2] that altogether about 40,000 persons were employed in manufacturing industry throughout Lithuania and the Memel Territory. As compared with the respective figures for Estonia and Latvia, this figure is small when the very much larger population of Lithuania is borne in mind. In all there were 7,250 undertakings classified as industrial enterprises, of which only 75 employed 50 or more workmen.

II. FOREIGN TRADE AND BALANCE OF PAYMENTS, 1919–30

1. General Observations

During the years 1919–30 these countries had to deal with peculiar difficulties in developing their foreign trade. Not only did the period of actual hostilities last until 1922, but the creation of three new independent States required the organization of three separate economic units. In Estonia and Latvia, it is true, there existed a rough basis, consisting of the commercial communities of Tallinn and Riga,[3] on which it was possible to build the necessary organization, since these ports had been two of the most considerable foreign trading centres of the Russian Empire. In Lithuania, however, there was no such organization at all, for until 1918 the territories forming that State had been more or less self-supporting, and Lithuania's foreign trade had to be created, as it were, out of a vacuum. In the event, the development of foreign trade in the Baltic States during

[1] See above, p. 102.

[2] *Lithuania, 1928*, edited by E. J. Harrison, London, 1928, p. 178.

[3] Before the War Riga had been mainly an export centre; Reval (Tallinn) an import centre. After the War this position was reversed. Riga's imports greatly exceeded her exports, while exports from Tallinn generally exceeded imports (1913 figures):

	Imports	*Exports*
Riga .	. £19,000,000	£23,000,000
Reval .	. £10,000,000	£2,400,000

505 regular sailings of British, German, Finnish, and Scandinavian lines. Of these may be mentioned the United Baltic Corporation, which maintains weekly services between London and Memel, Riga, and Tallinn.

504 The ports of Riga and Tallinn are blocked by ice in the winter months, especially February and March, but in each case channels for steamers are kept open by ice-breakers. While Latvia's trade is thus subject to disorganization, Liepāja and Ventspils are generally free of ice and consequently do a considerable trade in the winter, although accommodation in the ports is limited. Moreover, plans are at present being considered for the further development of a river harbour on the Lielupe at Jelgava. On the other hand, congestion in Tallinn can be relieved only by the use of the small ports of Narva-Joesuu, Pārnu, and Paldiski. Memel also is blocked by ice in winter, though an ice-breaker is used. Communication can, however, be maintained through the Latvian port of Liepāja. It may be mentioned that for some years the Lithuanian Government has been attempting to develop a small fishing village, Sventoji, near the Latvian frontier, with a view to providing an alternative port to Memel, though progress in this direction has not so far been great.

(2) *River Navigation*

133 Estonia has few navigable waterways, the Narva, which connects
487 Lake Peipus with the sea, being perhaps the most important. Both Latvia and Lithuania, however, possess rivers which are indispensable for the moving of timber. The principal navigable rivers in Latvia are the Daugava, the Gauga, and the Lielupe; in Lithuania, the Niemen (Nemunas). A canal joins the Niemen to the Bobr, which flows into the Narew, a tributary of the Vistula. The canal is, however, in Polish territory. The Berzune, a tributary of the Niemen, is also joined to the Daugava by a canal. Finally, it should be remembered that most, if not all, of the inland waterways of these countries are closed by ice for three to four months of the year.

(3) *Railways*

496 As already mentioned, the railway system inherited from Russia bore little relation to the new national requirements. For example, Russia had no object in linking Memel to Kovno, since Memel was in Germany, and Russia had built Libau expressly to be independent of German communications. Moreover, many of the lines were built (or not built) for purely strategic reasons, and nearly all were of the broad Russian gauge. It was natural, too, that they tended to radiate from centres in Russia with which, as has been seen, the Baltic States were to trade far less than before the War. Finally, the War had led to the wholesale destruction of stations, bridges, and other buildings, and even to the removal of locomotives and rolling-stock. Thus, the problems with which the new States were faced were considerable.

493 Reconstruction began soon after the War. In almost every case the
● 727 railways were taken over by the State. The amount of repairs which

had to be undertaken, both to the permanent way and to rolling-stock, was large. In some instances it was necessary to lay fresh lines, and where funds could be obtained this was done. By 1930 considerable progress had been made, though the state of the permanent way is often so bad that the times taken even by fast trains over easy ground is comparatively slow.

In August 1924 a railway conference between Estonia, Latvia, and the U.S.S.R. resulted in the decision to unify the existing separate railway conventions on the basis of the International Convention of Berne, and in the signature of nine technical conventions. On October 29, 1925, a convention relating to railway transit traffic was concluded by the same three Powers.[1]

In Estonia on April 1, 1936, there were 891 miles of railway, of which 473 miles were broad gauge, and 418 miles narrow gauge. As much as 254 miles of railway had been constructed since the War. A considerable saving in the running of the railways is now effected by the burning of shale-oil.

In Latvia the post-War difficulties were complicated by the fact that during the German occupation most of the permanent way had been converted to normal or narrow gauge; whereas, if Latvia were to recover her transit trade with Russia, many of the lines would have to be reconverted to Russian gauge. In April 1936 there were 2,023 miles in use, 1,214 miles being of the broad gauge and 198 miles of the normal gauge, the latter relating chiefly to the lines connecting Latvia with Central Europe. In recent years there has been a considerable amount of fresh construction,[2] though none of the lines completed appears to be of outstanding importance.

Lithuania's difficulties were fully as serious as those of Latvia, for Lithuania also had been occupied by the German forces. Moreover, the existing network of railways was far less suited to the requirements of the new State than in the other two cases. The most important of these deficiencies, however, was eliminated by the completion, in 1932, of the only really important piece of fresh construction in the Baltic States since the War, the Siauliai–Telsiai–Kretinga Railway.[3] At the end of 1934 there were 1,152 miles of railway in existence, of which 797 miles were broad gauge.

The comparative position of the three countries can be seen from the following table:

	Square miles of total territory per mile of railway in use	*Millions of ton-kilometres of goods carried by railways in 1936*
Estonia . . .	21	225
Latvia . . .	13	380*
Lithuania . .	19	280

* Excluding transit traffic in foreign trains.

[1] For text see *League of Nations Treaty Series*, vol. lxvi, p. 147.

[2] Details are given in D.O.T.: *Economic Conditions in Latvia, January 1935*, publ. 1935, pp. 33–4.

[3] For the importance of this railway, see p. 101